**BEFORE**
**THE PUBLIC SERVICE COMMISSION**
**OF SOUTH CAROLINA**
**DOCKET NO. 2019-9-E**

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| IN RE: South Carolina Electric & Gas Company's Integrated Resource Plan (IRP) | ) ) ) ) ) ) | **COMMENTS ON BEHALF OF THE SOUTH CAROLINA SOLAR BUSINESS ALLIANCE, INC.** |

## INTRODUCTION

The South Carolina Solar Business Alliance, Inc. ("SCSBA") respectfully submits the following comments to the Public Service Commission of South Carolina ("Commission") on the 2019 Integrated Resource Plan ("IRP") of South Carolina Electric & Gas Company ("SCE&G" or "the Company"), in Docket No. 2019-9-E. SCSBA's intervention was approved by this Commission on March 20, 2019 and SCSBA's Comments are timely filed.

## COMMENTS

Integrated resource planning has evolved to become the cornerstone of responsible decision making related to electricity generation. Although South Carolina has not traditionally required of its utilities a robust integrated resource planning process, recommendations from the 2016 State Energy Plan[1] and merger settlement conditions reached between the SCSBA and SCE&G/Dominion Energy[2] both presaged a piece of energy legislation that has recently passed out of the South Carolina House of Representatives and Senate Judiciary Committee[3].

A common theme amongst the State Energy Plan, the merger settlement, and the energy legislation making its way through the General Assembly is a need for utilities to consider a range of portfolio options and conduct various scenario and sensitivity analyses in order to advance a resource plan that is in the best interest of customers. Effectively vetted assumptions made about load growth, energy and capacity needs, emerging technologies, regulatory risks, fuel prices, technology costs and a litany of other factors should be considered as part of a comprehensive integrated resource planning process.

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[1] *Energy in Action*, South Carolina State Energy Plan: IRP Guidelines, South Carolina Office of Regulatory Staff Energy Office (2016).
[2] South Carolina Electric & Gas, Dominion Energy, and South Carolina Solar Business Alliance Merger Settlement Agreement, Docket No. 2017-370-E (November 2018).
[3] *South Carolina Energy Freedom Act*, H.3659, Session 123 (2019-2020).

## I. The SCSBA Recommends that a Stakeholder Process and Commission Workshops be Scheduled to Inform the 2020 IRP.

In a Settlement Agreement filed with this Commission in November 2018, in Docket No. 2017-370-E, SCE&G agreed to several conditions on the Company's proposed merger related to its 2020 integrated resource plan. These include commitments by the Company to:

- Evaluate, at the request of intervening parties through the Office of Regulatory Staff (ORS), a limited number of alternative scenarios (up to 5) for modeling during the IRP development;
- Present a preferred portfolio and at least three alternative portfolios that include significantly more renewable energy, energy efficiency, and demand response, including an examination of the accelerated closure of one or more of the Company's least efficient coal units;
- Include modeling with sensitivities for fossil fuel prices and an imputed value of at least $25/ton for carbon emissions; and
- Engage an outside consultant, jointly selected by SCE&G and ORS, to audit the Company's load forecast and reserve margin methodologies, review SCE&G's methodology for portfolio modeling, and submit an independent report to this Commission.

On February 21, 2019, the South Carolina Energy Freedom Act (H.3659) was passed unanimously (110-0) by the South Carolina House of Representatives. On April 10, 2019, this legislation received a favorable vote from the Senate Judiciary Committee and will be voted on by the full Senate in the weeks ahead. The legislation has received broad stakeholder support, including that of Dominion Energy Incorporated, which testified in favor of the legislation before a subcommittee convened by the House Committee on Labor, Commerce, and Industry.

H.3659 requires that utility integrated resource plans must be conducted consistent with an updated statutory framework that entails a number of factors not currently considered by SCE&G in development of its IRP (§ 58-37-40). The legislation also provides for intervention and discovery within an IRP proceeding, as well as requiring this Commission to either approve, modify, or deny a utility's IRP.

Given these anticipated changes, as well as the Commission's existing statutory authority under Sections 58-37-10(2)[4] and 58-37-40(A)[5] of the South Carolina Code of Laws, the SCSBA recommends that this Commission establish a stakeholder process and schedule a minimum of one Commission workshop for purposes of informing the 2020 IRP submission of SCE&G and other regulated electric utilities in South Carolina. This Commission has previously utilized its authority to conduct similar workshops on complicated and consequential regulatory issues, such as the development of the South Carolina Generator Interconnection Procedures (Docket No. 2015-362-E, Proceeding #16-11568).

## II. SCSBA Concerns with the SCE&G 2019 IRP.

The SCSBA continues to have concerns about deficiencies in SCE&G's integrated resource plan and the implications these deficiencies have for both ratepayers and the solar industry. Due to a lack of transparency in the IRP related to both resource planning methodology and revenue requirements, it is difficult to evaluate the plan with a high level of specificity.

For example, this Commission has explicitly required the Company to improve transparency related to scenarios and costs considered in the IRP ("However, in an effort to improve transparency and in continuing to recognize the significance of future IRPs, I move that we require the company, in its 2019 IRP, to provide a table that explicitly lists the options reasonably considered and the related costs of those options." Order No. 2018-429). To this end, the Company provided an exceedingly brief overview of 19 different scenarios considered in the plan and then ranked them 1-19 according to cost. However, the only cost data provided relates to certain assumptions about resource acquisition costs and does not reveal the actual revenue requirements for any of the different scenarios. Therefore, the actual cost difference between the various scenarios remains unknown, as does the cost sensitivity of each scenario to the various assumptions of natural gas and $CO_2$ prices that SCE&G modeled. Additionally, there is no indication that the Company has used optimization software in developing or evaluating the various scenarios considered, and the Company does not appear to have considered third-party-

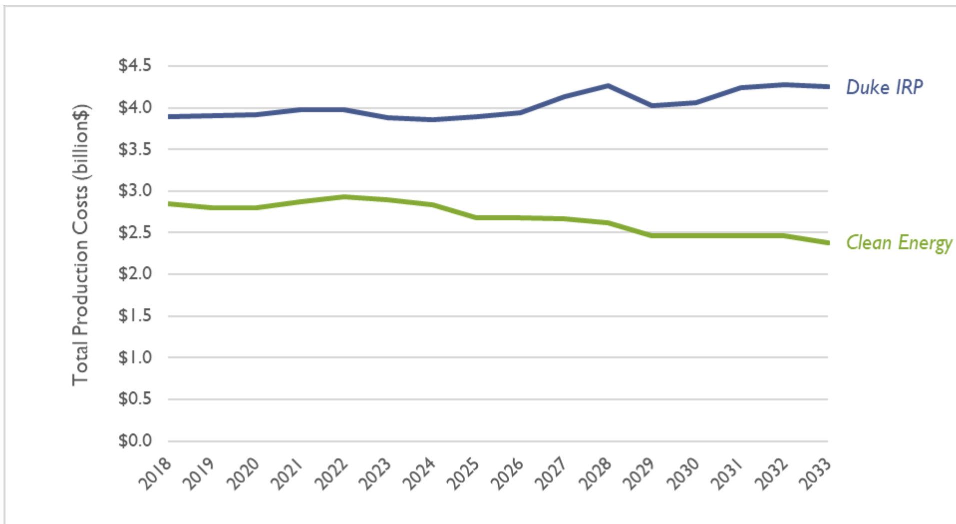
[4] "For electrical utilities subject to the jurisdiction of the South Carolina Public Service Commission, this definition must be interpreted in a manner consistent with the integrated resource planning process adopted by the commission."

[5] "For electrical utilities subject to the jurisdiction of the commission, submission of their plans as required by the commission constitutes compliance with this section."

owned solar plus battery PPAs or varying demand-side management levels as options in its analysis.

As evidenced by a recent SCSBA analysis filed with this Commission, which evaluated Duke Energy's 2018 IRP, elevated levels of solar, storage, demand side management, and energy efficiency can significantly reduce costs to ratepayers while maintaining system reliability[6]. In the case of Duke Energy, those ratepayer savings were estimated at over $1 billion. Absent adequate direction from this Commission, the actual costs of SCE&G's preferred resource plan, as well as any viable alternatives, will remain unknow to anyone other than the Company.

**Figure 3. Annual Duke Energy total production cost by scenario**




*Modeling Clean Energy for South Carolina:*
*An Alternative to Duke's Integrated Resource Plan*

Ultimately, the Company's ongoing failure to appropriately optimize its IRP has a ripple effect on other issues before this Commission. As recently affirmed by this Commission, the Company's IRP strongly influences its calculation of avoided cost. Docket No. 2018-2-E, Order No. 2018-322 (Apr. 30, 2018) at 16. Changes to the assumptions in the IRP result in changes to avoided costs, and therefore rates paid to Qualifying Facilities (QFs). Fuel Hearing Tr. at E-203:3-5.

[6] South Carolina Public Service Commission Dockets 2018-8-E and 2018-10-E, *Modeling Clean Energy for South Carolina: An Alternative to Duke's Integrated Resource Plan* Synapse Energy Economics, Inc. (January 2019).

Artificially low avoided cost rates derived from a flawed integrated resource plan serve to shield the Company from effective competition from independent power producers, as well as discouraging the timely introduction of cost-effective demand-side alternatives capable of meeting system load requirements and addressing the Company's winter peaking needs.

## III. SCSBA Recommendations.

In light of the above observations and the pending changes to the Company's 2020 IRP, the SCSBA recommends that this Commission establish a stakeholder process and schedule a minimum of one Commission workshop for purposes of informing the 2020 IRP submission of SCE&G and other regulated electric utilities in South Carolina. The SCSBA believes that the general process adopted by this Commission for developing the South Carolina Generator Interconnection Procedures provides an appropriate template for addressing integrated resource planning improvements in South Carolina for 2020 and beyond. Requiring the involvement of an independent facilitator would provide additional value to a stakeholder and workshop process.

Respectfully Submitted,
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